GALLUP PAKISTAN
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Pakistan's Foremost Social Research Lab

FINDEV CYBERLETTER

Thirteenth Edition

Editor’s Note

Welcome to Gallup Pakistan’s FinDev Cyberletter. The principal purpose of this Cyberletter is to inform its readers of the latest developments in the financial industry across the globe, particularly in the realms of Financial Inclusion and Digital Financial Services (DFS), where efforts are being undertaken by both private and government sectors. This is the Thirteenth monthly issue of the FinDev Cyberletter series. Each issue of the FinDev Cyberletter will focus on a particular theme within the broader area of financial inclusion and related topics. This newsletter is divided into three main sections. The sections are:

1) **News Roundup** – this section will cover the latest happenings in the financial services industry in Pakistan.

2) **Initiatives** – Constant work is being undertaken by experts, governments and research organizations in order to enhance the understanding of, and to find solutions to the challenges encountered within the financial services industry. This section will aim to cover some of these research initiatives, both locally and internationally.

3) **Data Visualizations & Statistical Figures** - Research backed by data not only increases its credibility but also helps paint an accurate picture of the situation at hand. This section will contain graphical representations of data on various relevant topics.

A diligent effort has been made to ensure that the content extracted from external sources has been cited and given due credit. In some cases, excerpts from the original articles have been extracted. To access the original articles, please click on the link provided at the end of each article. In case of any errors or omissions, we would like to apologize and would be eager to rectify the changes at the earliest. For feedback, comments or questions, feel free to write to us at caf@gallup.com.pk.

Warm Regards,
The Gallup Pakistan Financial Inclusion Team
Led by **Bilal I Gilani** (Executive Director, Gallup Pakistan)

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HIGHLIGHTS

- **Introducing Apple Card, a new kind of credit card created by Apple**
  Cupertino, California — Apple today announced Apple Card, an innovative, new kind of credit card created by Apple and designed to help customers lead a healthier financial life. Apple Card is built into the Apple Wallet app on iPhone, offering customers a familiar experience with Apple Pay and the ability to manage their card right on iPhone.

- **Tech talk: A local startup bets the bank on electronic payments**
  Not long ago, when next door neighbour came up with a new data policy introducing strict requirements for big tech to host all Indian data in the country, there were yet again talks in Pakistan about data security and future risks.

- **Reducing poverty through Fintech at the Bill and Melinda Gates Foundation**
  Access to financial services can transform the lives of poor people across the world, and Peric is now helping to make this a reality through his blend of tech expertise, particularly financial technology (Fintech) and financial services experience.

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News Roundup

This section covers the latest happenings from the financial services industry in Pakistan.

How FinTech is Revolutionizing Financial Services*

New technologies are disrupting the financial services industry, like they have in many other markets, whether Wall Street is ready for them or not. From peer-to-peer lending and robo-advisors to bitcoin and crowdfunding, financial technology or fintech is smashing old business models on its way to crowning new rulers in the world of money. And there is no turning back. "Fintech is not only the future, but it is here," said Amy Gutmann, president of the University of Pennsylvania at the April 3 launch of the Stevens Center for Innovation in Finance at Wharton.

*Source: Published on Wharton, University of Pennsylvania, dated April 09, 2019
Click to here access full article

Financial Literacy in Pakistan*

By Sehrish Fatima

Pakistan has failed to document straight money worth $1.5 billion due to unavailability of online payment systems like PayPal in the country, which can support online money transfers and services, according to the State Bank of Pakistan (SBP).
In 2018, Pakistan's information and communication technology (ICT) exports touched $1 billion. However, these are documented numbers, but the actual figure stands around $2.5 billion, according to the first-quarter State of Pakistan's Economy report for fiscal year 2018-19 released by the SBP.

"According to World Bank's 2017 Global Findex database, Pakistan has been ranked the lowest in terms of financial access rate with 100 million unbanked adults."

*Source: Published on The Express Tribune dated April 13, 2019
Click [here] to access full article

Does Financial Inclusion Impact the Lives of the Poor?*

By Mayada El-Zoghbi

The financial inclusion community has come a long way from the days of anecdotal stories – about "Juanita" becoming empowered or "Haseena" increasing her income from her business – that were used to demonstrate impact on the lives of the poor. In what feels like a bygone era, practitioners used to believe that when customers continued using financial services it meant that financial services were improving their lives. The pendulum has swung wide in terms of the type of evidence that is considered acceptable. Over the past decade, we have seen an explosion of impact research on financial inclusion for the poor. CGAP's latest effort to synthesize the evidence has uncovered more than 80 new research papers published since 2014.

*Source: Published on CGAP, dated March 20, 2019
Click here to access full article

Tech Talk: A Local Startup Bets the Bank on on Electronic Payments*

By Mutaher Khan

Not long ago, when next door neighbour came up with a new data policy introducing strict requirements for big tech to host all Indian data in the country, there were yet again talks in Pakistan about data security and future risks. Beyond drawing room discussions, nothing moved forward, except for one company which took it a bit more seriously.

Meet PayPak - the country's very own payment scheme. What is that? It's the company that issues bank cards and processes your transactions.

"As of now, 20 banks have already issued some 1.5 million PayPak cards and have switched to EMV standard (chip)."

*Source: Published on DAWN News, dated April 21, 2019

Click here to access full article

Learning from Financial Inclusion Research: What Should We Expect?*

By Timothy Ogden

There is a real puzzle in the world of financial inclusion: Where's the impact? The question is not unique to financial inclusion, but it is a particularly pressing one. After more than 30 years in the spotlight, the lack of clear, compelling and consistent evidence that financial inclusion interventions reduce poverty has raised questions about whether continued investment is wise. There are a number of efforts to look at existing evidence and come to conclusions about whether, where and why financial inclusion matters.

*Source: Published on CGAP, dated April 26, 2019
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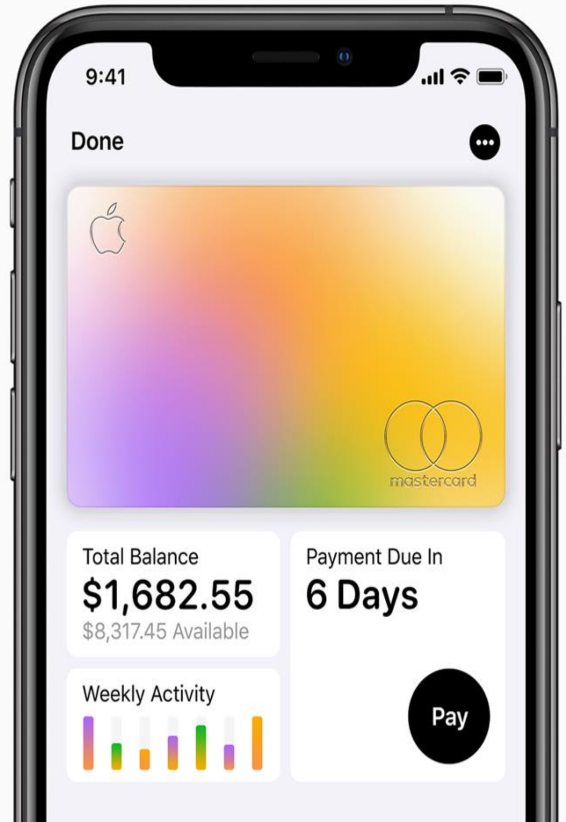
The Initiatives

Constant work is being undertaken by experts and research organizations to enhance the understanding and find solutions to challenges encountered within the financial services industry. This section covers some of these research findings.

Introducing Apple Card, a new kind of credit card created by Apple*

Press Release

Cupertino, California — Apple today announced Apple Card, an innovative, new kind of credit card created by Apple and designed to help customers lead a healthier financial life. Apple Card is built into the Apple Wallet app on iPhone, offering customers a familiar experience with Apple Pay and the ability to manage their card right on iPhone. Apple Card transforms the entire credit card experience by simplifying the application process, eliminating fees, encouraging customers to pay less interest and providing a new level of privacy and security.



Built on Simplicity, Transparency and Privacy, and designed to Help Customers Lead a Healthier Financial Life

*Source: Published on Apple, dated March 25, 2019
Click here to access full article

Reducing poverty through Fintech at the Bill and Melinda Gates Foundation*

By Karl Flinders

Access to financial services can transform the lives of poor people across the world, and Peric is now helping to make this a reality through his blend of tech expertise, particularly financial technology (fintech) and financial services experience.

Peric, deputy director of financial services for the poor at the Bill & Melinda Gates Foundation, is a computer scientist by profession, and spent over 23 years working for Swift, where he began in 1990 as a research and development architect.

His last role at Swift was head of innovation in its Innotribe organisation, which innovates on behalf of the hundreds of banks that own it.

*Source: Published on Computer Weekly, dated May 10, 2019

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Data Visualization

Research backed by concrete data not only increases its credibility but also helps paint an accurate picture of a particular situation. This section contains graphical representations on various topics.

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Financial Inclusion Indicators, by Country, South Asia*

	Accounts, Female (%)	Accounts, Male (%)	Gender Gap (%)
Bangladesh	26.5	35.4	8.9
India	43.1	62.8	19.7
Pakistan	11.0	21.0	10.0
Sri Lanka	83.1	82.2	-0.9

- The gender gap in access to financial services is significant globally, but it is even more so in the developing world.
- There is a nine-percentage-point gap in account ownership in developing countries, and the largest gap is in South Asia (18 percent).
- Within South Asia, according to the Global FINDEX of the World Bank, Pakistan fares poorly in overall financial inclusion as well as the financial inclusion of women, with only **11.0 percent** of the adult female population having an account (by themselves or together with someone else) at a bank or another type of financial institution

*Source: State of Financial Inclusion of Women in Pakistan – World Bank Group
Click here to access full report

Change in Financial Access Among Adult Females (%), 2008 to 2015*

	2008	2015	CHANGE
BANKED	4	11	+7
OTHER FORMAL	1	6	+5
INFORMAL	28	26	-2
EXCLUDED	66	57	-9

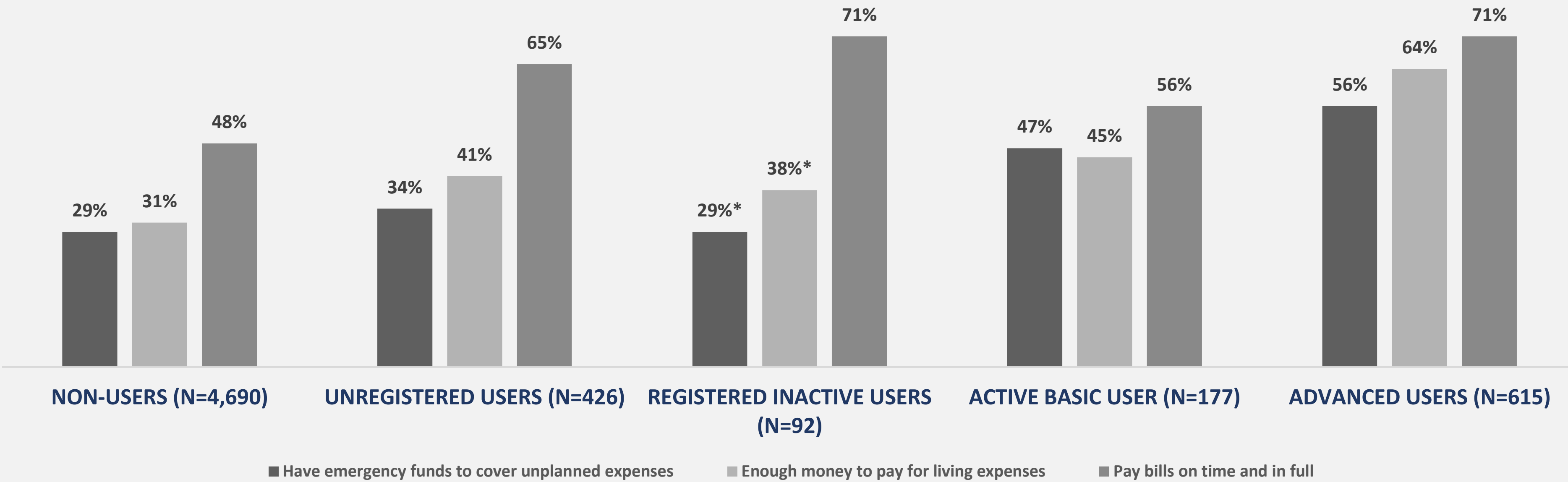
Access to formal financial services rose by 5.7 million among women (for context, the total female adult population in 2008 was 40.1 million and in 2015 stood at 45.3 million8)

The number of women with bank accounts jumped from four percent in 2008 to 11 percent in 2015. This was driven by growth across a number of services, including use of bank accounts, mobile wallets, microfinance, and use of Government assistance cards.

*Source: State of Financial Inclusion of Women in Pakistan – World Bank Group
Click here to access full report

FINANCIAL HEALTH SEGMENTATION

2017: Financial health, by customer journey segment*



*Fewer than 50 observations.

Overall, financial health in Pakistan is low; most adults live below the **$2.50/day** poverty line and struggle to meet basic needs. Adults who occupy later stages of the customer journey tend to have higher levels of financial health.

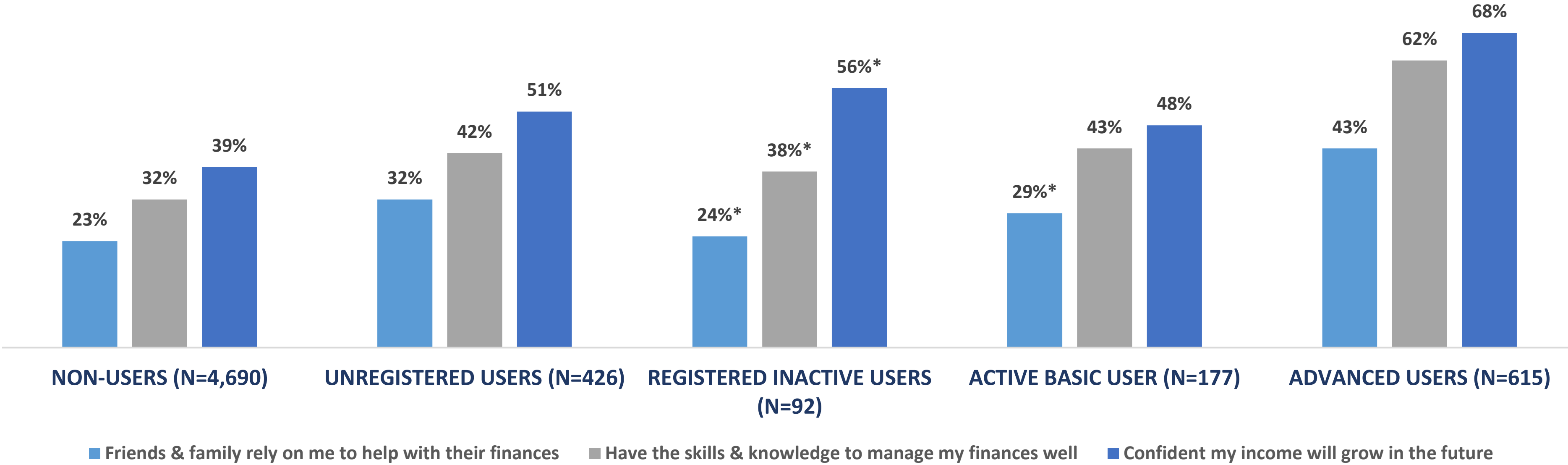
29% of all adults said they "often" or "almost always" make a plan for how to spend their incomes.

*Source: Intermedia Pakistan FII Tracker Survey, Wave 5 (N=6,000, 15+), September-October 2017

Click here to access full report

FINANCIAL CAPACITY SEGMENTATION

2017: Financial capacity, by customer journey segment



*Fewer than 50 observations.

54% of all adults said they "often" or "almost always" follow through with their budget plans.

*Source: Intermedia Pakistan FII Tracker Survey, Wave 5 (N=6,000, 15+), September-October 2017

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MOBILE AGENT VIABILITY

Educating Customers vs. Wallet Registration

34% Offer Wallet Registration

- 21% educate customers on wallets
- 12% do not educate customers on wallets

66% Do Not Offer Wallet Registration

- 19% educate customers on wallets
- 47% do not educate customers on wallets

*Source: Agent Network Accelerator Research, Karaandaaz, 2017
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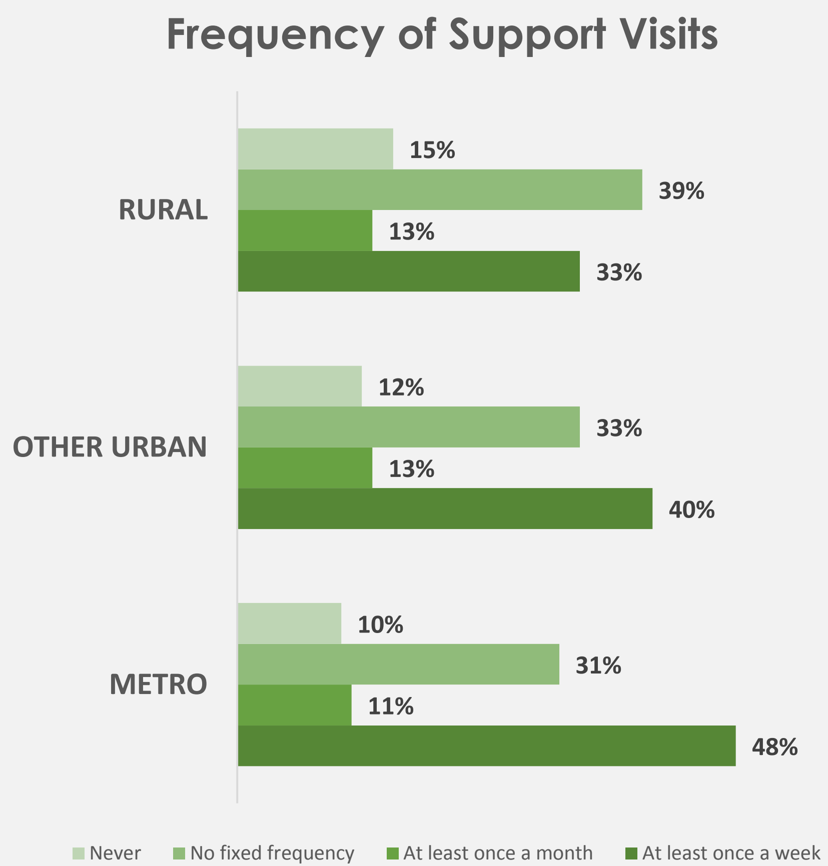
Regular Support Visits are Associated with Higher Profitability*



In rural areas, a higher percentage of agents are never visited.

Over three quarters , **79%** of the agents are visited regularly by a representative/staff from the franchise and 19% by provider staff.

The agents who receive these monitoring visits earn **US$ 17** more monthly than those who do not receive visits.*

*Difference statistically significant at the 5% and 1% levels.

*Source: Agent Network Accelerator Research, Karaandaaz, 2017
Click here to access full report

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